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**FANO
MINING &
EXPLORATION
INC.**

Annual Report

*For the Year Ended
December 31, 1969*

FANO MINING & EXPLORATION INC.

HEAD OFFICE: 4115 Sherbrooke Street West, Westmount, Quebec

EXECUTIVE OFFICE: 365 Bay Street, 12th Floor, Toronto, Ontario

OFFICERS:

W. E. MELBOURNE, *President*

A. R. B. LOWE, *Vice-President*

C. PETERSON, A.C.I.S., *Secretary-Treasurer*

DIRECTORS:

W. E. MELBOURNE

A. R. B. LOWE

C. PETERSON, A.C.I.S.

I. NOBLE

S. ROSEN

H. WEST

AUDITOR:

T. H. BERNHOLTZ, C.A.

TRANSFER AGENT:

CROWN TRUST COMPANY
Toronto & Montreal

TO THE SHAREHOLDERS:

I am pleased to enclose audited financial statements of your Company for the year ended December 31, 1969 consisting of the Balance Sheet, Statement of Deficit, Statement of Operations, Statement of Deferred Exploration Expenses, Statement of Source and Application of Funds, Notes thereto and Auditor's Report thereon dated February 12, 1970.

In our Progress Report of June 24, 1969 we advised you that on the recommendations of Mr. Gerald L. Kirwan, B.Sc., the option on the 18 claims in Egan Township, Quebec, was allowed to lapse.

In our Progress Report of July 15, 1969 we advised you of the acquisition of a group of 48 mineral claims known as the Boundary and Contact groups in the Highland Valley-Merritt Area of British Columbia. Your Directors are considering implementing and completing an exploration programme on these claims and the same were put in good standing until March 1971.

In our Progress Report of November 14, 1969 we advised you of the acquisition of two groups of mining claims in the Sturgeon Lake Area of Ontario. With a view to having the work programme recommended by Mr. Sol Waisberg, M.A. Sc., P.Eng. referred to in the said Progress Report and further exploration and development work carried out on these said two groups of claims, your Company is negotiating for an agreement with another Exploration Company to carry out the work. Under our proposal to said Company, it will be required to expend \$50,000 to earn a 50% interest in the said claims. Thereafter any further expenditures on the exploration of these claims are to be shared equally with a provision for a reduction of the interest of either company that fails to contribute its full share. In no event will either company's interest be reduced to less than a 10% non-assessable interest. Shareholders will be promptly advised of developments.

On behalf of the Board,

W. E. MELBOURNE

President.

March 3rd, 1970.

AUDITORS' REPORT TO THE SHAREHOLDERS

I have examined the balance sheet of Fano Mining & Exploration Inc. (no personal liability) as at December 31, 1969 and the statements of deficit, operations, and deferred exploration expenses for the year ended on that date, and have received all the information and explanations I required. My examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as I considered necessary in the circumstances.

In my opinion, the accompanying balance sheet and the statements of deficit, operations, and deferred exploration expenses present fairly the financial position of the Company as at December 31, 1969 and the results of its operations for the year ended on that date in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

My examination also included the accompanying statement of source and application of funds which, in my opinion, when considered in relation to the aforementioned financial statements, presents fairly the source and application of funds of the Company for the year ended December 31, 1969.

Respectfully submitted,

T. H. BERNHOLTZ

Chartered Accountant.

Toronto, Ontario.
February 12th, 1970.

BALANCE SHEET AS
(WITH COMPARATIVE FIGURES)

1969 1968

A S S E T S

CURRENT

Cash	\$ 2,029.	\$ 119.
Short-term deposits (non-Canadian)	<u>184,305.</u>	<u>228,424.</u>
	186,334.	228,543.

MINING CLAIMS AND OPTIONS

30 unpatented mining claims located in the Sixmile Lake Area of the District of Thunder Bay, Ontario and		
20 unpatented mining claims located in the Sturgeon Lake Area of the District of Kenora, Ontario	10,000.	-
48 unpatented mineral claims located in the Kamloops Mining Division of the Province of British Columbia	12,000.	-
Option on mining claims (Note 1)	<u>-</u>	<u>5,800.</u>
	22,000.	5,800.

DEFERRED

Exploration expenses	<u>1,632.</u>	<u>-</u>
	<u>\$ 209,966.</u>	<u>\$ 234,343.</u>

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS

W. E. MELBOURNE , Director

C. PETERSON , Director

EXPLORATION INC.
(LIABILITY)

DECEMBER 31, 1969
AS AT DECEMBER 31, 1968)

L I A B I L I T I E S

1969 1968

CURRENT

Accounts payable and accrued liabilities \$ 7,646. \$ 8,499.

SHAREHOLDERS' EQUITY

CAPITAL STOCK

Authorized:

10,000,00 shares, par value \$1. each

Issued as fully paid: (Note 2) 1,986,087. 1,986,087.

DEFICIT

(1,783,767.) (1,760,243.)

202,320. 225,844.

\$ 209,966. \$ 234,343.

FANO MINING & EXPLORATION INC. (NO PERSONAL LIABILITY)

STATEMENT OF DEFICIT FOR THE YEAR ENDED DECEMBER 31, 1969 (WITH COMPARATIVE FIGURES FOR THE YEAR ENDED DECEMBER 31, 1968)

	1969	1968
Balance, beginning of year	<u>\$1,760,243.</u>	<u>\$1,760,629.</u>
Add:		
Loss or (profit) for the year	4,862.	(386.)
Cost of option on mining claims allowed to lapse - Egan Township	5,800.	-
Exploration expenses - Egan Township	<u>12,862.</u>	<u>-</u>
	<u>23,524.</u>	<u>(386.)</u>
Balance, end of year	<u><u>\$1,783,767.</u></u>	<u><u>\$1,760,243.</u></u>

FANO MINING & EXPLORATION INC. (NO PERSONAL LIABILITY)

STATEMENT OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 1969

(WITH COMPARATIVE FIGURES FOR THE YEAR ENDED DECEMBER 31, 1968)

	1969	1968
INCOME		
Interest	\$ 12,956.	\$ 13,844.
EXPENSES		
Corporate, accounting and secretarial services	7,650.	7,800.
Shareholders' information	1,703.	1,113.
Transfer agent's fees	912.	2,352.
Government fees, taxes and licenses	476.	69.
Stock exchange fees	172.	250.
Legal and audit fees	5,917.	1,867.
Bank charges	33.	7.
Travelling	418.	-
Advertising	474.	-
Miscellaneous	63.	-
	<u>17,818.</u>	<u>13,458.</u>
(Loss) or profit for the year	<u>\$ (4,862.)</u>	<u>\$ 386.</u>

STATEMENT OF DEFERRED EXPLORATION EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 1969

(WITH COMPARATIVE FIGURES FOR THE YEAR ENDED DECEMBER 31, 1968)

EGAN TOWNSHIP		
Engineer's fees	\$ 8,670.	
Geological fees and expenses	<u>4,192.</u>	
	12,862.	
Exploration expenses written off, Egan Township	<u>12,862.</u>	
	<u>NIL</u>	
DISTRICT OF THUNDER BAY AND DISTRICT OF KENORA		
Government fees	275.	
Maps and reports	<u>332.</u>	
	607.	
KAMLOOPS MINING DIVISION		
Engineer's fees	600.	
Geological fees and expenses	400.	
Maps	<u>25.</u>	
	<u>1,025.</u>	
	<u>\$ 1,632.</u>	<u>NIL</u>

FANO MINING & EXPLORATION INC. (NO PERSONAL LIABILITY)

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 1969

1. The Company's option on the 18 claims in the Township of Egan was allowed to lapse on June 30, 1969.

2. CAPITAL STOCK	Number		
Issued as fully paid:	of Shares	1969	1968
To shareholders on reorganization, pursuant to Supplementary Letters Patent dated December 30, 1955	2,155,000	\$2,155,000.	\$2,155,000.
Less: Discount		936,850.	936,850.
		<u>1,218,150.</u>	<u>1,218,150.</u>
Subsequently issued:			
- For properties	700,000	700,000.	700,000.
Less: Discount		630,000.	630,000.
		<u>70,000.</u>	<u>70,000.</u>
- For assets of mining company	1,250,000	1,250,000.	1,250,000.
Less: Discount		1,052,070.	1,052,070.
		<u>197,930.</u>	<u>197,930.</u>
- For cash	2,200,007	2,200,007.	2,200,007.
Less: Discount		1,700,000.	1,700,000.
		<u>500,007.</u>	<u>500,007.</u>
	<u>6,305,007</u>	<u>\$1,986,087.</u>	<u>\$1,986,087.</u>

STATEMENT OF SOURCE AND APPLICATION OF FUNDS FOR THE YEAR ENDED DECEMBER 31, 1969

(WITH COMPARATIVE FIGURES FOR THE YEAR ENDED DECEMBER 31, 1968)

SOURCE OF FUNDS

Net profit for the year	\$ -	\$ 386.
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APPLICATION OF FUNDS

Loss for the year	4,862.	-
Mining claims option payment	-	5,800.
Purchase of mining claims	22,000.	-
Exploration expenses written off, Egan Township	12,862.	-
Exploration expenses	1,632.	-
	<u>41,356.</u>	<u>5,800.</u>
Decrease in working capital	(41,356.)	(5,414.)
Working capital at beginning of year	<u>220,044.</u>	<u>225,458.</u>
Working capital at end of year	<u>\$ 178,688.</u>	<u>\$ 220,044.</u>
REPRESENTED BY:		
Current assets	\$ 186,334.	\$ 228,543.
Current liabilities	7,646.	8,499.
	<u>\$ 178,688.</u>	<u>\$ 220,044.</u>

